

# Memo

To: City Council  
From: Barbara B. Matthews, City Manager  
Date: December 5, 2005  
Re: Community Center Financial Report

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Attached is a current financial report for the Community Center project. There are several factors related to the financial report that I wanted to call to your attention.

## **Revenues**

The report reflects project revenues of \$11,956,063—an increase of \$27,010 from the last report. In September 2005, the City Council approved a budget amendment, in this amount, appropriating funds for landscaping and other site improvements, as well as certain technical studies related to the possible construction of a gymnasium.

## **Expenditures**

As of Pay Application No. 29, the amount of the contract between the City and James F. Knott Construction was \$8,999,933. Estimated future expenditures reflect the balance not yet paid on this amount, less the amount of liquidated damages (\$174,000) payable as of October 23, 2005. The amount of liquidated damages ultimately withheld may vary from this amount, as the project architect has not yet issued the Certificate of Substantial Completion. It should be noted that the contractor has requested an extension of the contract completion date.

On October 31, 2005, Phase Two of the Community Center project (often referred to as the Community Plaza Level) got underway. This report reflects the current amount of the contract between the City and TRG Construction. Other costs associated with Phase Two included in this report include the rental of trailers to house the Recreation Department staff during the renovation work, the salary and benefit costs of the City of Takoma Park's project manager, voice and data communication work not included in the City's contract with TRG Construction, and the cost of moving the Recreation Department staff from the trailers to the new space upon completion of construction.

As noted above, the City Council appropriated funds for landscaping and other site improvements, as well as certain technical studies related to the possible construction of a gymnasium. Future expenditures reflect the budgeted amount for these activities.

The prior report included the projected cost for a two-inch water line installation required by WSSC. It was originally envisioned that the City would arrange for the conduct of this work under separate contract; however, WSSC subsequently required the work to be completed prior to occupancy of the building. Consequently, James F. Knott Construction Company performed the work, the cost of which is recorded as PCO 1129.

The prior report reflected the projected cost (\$40,000) for Montgomery County's review and permitting of the consolidated drawing for the entire Community Center project. The project management team was successful in having this work performed at no additional cost to the City. Estimated future expenditures have been adjusted accordingly.

New costs reflected in this report include the cost of installing the pavers purchased by the Takoma Foundation and other site work. The City retained VMP Construction, Inc. to perform this work, which also included the installation of wheel chair ramps for the Grant Avenue entrance and the recently installed walkway through the parking lot.

### **Proposed Change Orders**

The Proposed Change Order (PCO) log provided as part of this financial report reflects all items submitted by the contractor as of the date of this report. These PCOs total \$544,252.

Based on the review of project architect Lawrence Abell and Associates and/or Charron Consulting, the City does not accept many of the PCOs submitted by the contractor. Some items were deemed to be part of the contracted scope of work while the value of others was deemed to be high. Certain PCOs, adjusted based on the City's review, were submitted to the contractor as part of a change order, which James F. Knott Construction Company declined to sign.

The preliminary analysis shows a difference of approximately \$316,000 between the amount submitted by James F. Knott Construction Company and the amount deemed reasonable by the City's representatives based on the evaluation performed to date. The financial report shows this amount as a potential add-back. It should be noted that the most recently submitted PCOs are still in the process of being reviewed. Pending completion of this review, the figure submitted by James F. Knott Construction Company has been utilized in calculating the variance figure.

The actual reduction in the value of the PCOs may vary from the amount stated above, depending on the outcome of the City's continued discussions with the contractor. As a reminder, the contract's dispute resolution procedure is two-stepped. Assuming all procedural steps are met, first, the parties are to mediate their disputes. If mediation is unsuccessful, then the parties are to arbitrate their disputes. The cost of mediation and/or arbitration is not reflected in this report.

### **Conclusion**

The significant value of the PCOs that remain unresolved as of the date of this report makes it difficult to determine the financial status of the project. Assuming all outstanding PCOs are resolved at the amounts stemming from the City's preliminary analysis, an additional \$186,504 would need to be appropriated from the General Fund

for the project. As noted above, the most recently submitted PCOs are still in the process of being reviewed, so this figure may ultimately be reduced.

The amount shown above does not include a contingency for unanticipated costs related to Phase Two. As you may recall, the project management team originally recommended a ten percent contingency, which equated to approximately \$93,000. Typically, the majority of the unforeseen conditions would become apparent during demolition work. The demolition work for Phase Two is now substantially complete, with very few problems noted by the contractor. Consequently, the contingency percentage can likely be reduced.

As I advised the City Council in my report of November 28, 2005, TRG Construction, Inc. noted numerous differences in wall types and coverings that will need to be merged with the new wall construction during its demolition and framing work. The firm promptly brought these issues to the City's attention, and the parties have discussed ways to achieve an integrated and quality look. By addressing these issues at the beginning of the project, the amount of foreseeable RFI's and change orders can be reduced, resulting in a more cost effective process for all parties. The contractor has provided the City with a cost for this work, which is included in estimated future expenditures.

As previously discussed, the City realized significant savings through the execution of a new contract for health insurance. A portion of the savings was utilized for expenditures associated with the City's new contract with Local 400. The remainder equals approximately \$40,000.

During the week of July 11, 2005, the City was notified that its costs for general liability, automobile, and property insurance coverage through the Local Government Insurance Trust would be less than anticipated for FY06. The reduction resulted from a "membership credit" as well as a return of surplus due to the Trust's positive claims experience. The City's payment for FY06 will be approximately \$70,000 less than the budgeted amount.

The position of Director of Public Works became vacant as of September 10, 2005 and has not yet been filled. The resulting salary and benefit cost savings could be applied to the Community Center project.

In addition to these possible funding sources, the City Council could elect to draw funds from the unappropriated reserve monies included in the FY06 budget.

**City of Takoma Park**  
**Community Center Financial Report**  
**December 5, 2005**  
**Summary**

		Notes
Revenues	\$11,956,063.00	
Less Expenditures to Date	(10,067,692.55)	
Less Projected Expenditures	(1,846,253.58)	
Projected Balance	42,116.87	
Less Pending PCO's, and PCO's not submitted	(544,252.00)	Inclusion of these items does not represent City acceptance of items and/or dollar values
Project Balance if Submitted Value of Pending PCO's is paid	(\$502,135.13)	
Potential Add-Back Based on City's Preliminary PCO Review	\$315,631.00	Figure reflects analysis of LAA and/or Charron. More recently submitted PCOs are still under review. Items will be discussed with contractor in near future. Final amount will depend on the outcome of negotiations between the parties.
Project Balance if PCOs Resolved at Preliminary Review Amount	(\$186,504.13)	

**Notes:** This report reflects known and projected expenditures for Phase One and Phase Two of the Community Center project.

This report does not reflect the cost of certain project enhancements that were previously discussed, including the addition of a skylight and an elevator.

City of Takoma Park  
Community Center Financial Report - Revenues

Source	Description	Amount	Total
<i>City Funds</i>	Bond Proceeds FY02 and FY05	\$4,537,572.00	
	Designated Reserve for office changes	\$300,000.00	
	Storm Water Fund Operating Transfer	\$200,000.00	
	General Fund (reallocated street improvement funds)	\$383,950.00	
	Year-end Transfer	\$100,000.00	
	Reserve Fund FY04	\$76,696.00	
	Reserve Fund FY05	\$76,696.00	
	General Fund (reallocated street improvement funds) FY05	\$125,000.00	
	General Fund FY05	\$200,000.00	
	Year-end Transfer June 30, 2004	\$200,000.00	
	Estimated proceeds from sale of Piney Branch properties	\$400,000.00	
	Designated Reserve for Landscaping and Gym Studies FY06	\$27,010.00	
			<b>\$6,626,924.00</b>
<i>County</i>	Montgomery County	\$1,250,000.00	
	Montgomery County FY05	\$750,000.00	
	Montgomery County Storm Water matching grant	\$350,000.00	
			<b>\$2,350,000.00</b>
<i>State</i>	State of Maryland	\$1,500,000.00	
	State of Maryland FY05	\$300,000.00	
	State of Maryland FY06	\$350,000.00	
	Program Open Space FY04	\$332,365.00	
	Program Open Space FY05	\$125,000.00	
	Program Open Space FY06	\$122,324.00	
			<b>\$2,729,689.00</b>
<i>Federal</i>	Earmark for Computer Learning Center	\$249,450.00	
			<b>\$249,450.00</b>
	<b>TOTAL REVENUES</b>		<b>\$11,956,063.00</b>

**Note:** Bond proceeds include \$2,537,572 received in May 2005. Issuance costs = \$62,428.

**City of Takoma Park  
Community Center Financial Report - Expenditures**

<b>Vendor</b>	<b>Paid through November 30, 2005</b>	<b>Estimated Future Expenditures</b>	<b>Notes</b>
James F. Knott Construction Co.	\$8,349,974.00	\$475,959.00	Reflects Contract Sum as of Payment Application No. 29, less liquidated damages due as of 10-23-05. Amount of liquidated damages not finalized as Certificate of Substantial Completion is still pending.
Lawrence Abell & Associates	\$973,181.29	\$175,000.00	Architectural and design fees
City of Takoma Park Project Manager	\$114,139.28	\$74,948.58	Future costs represent salary and benefits for nine months of FY06.
Charron Construction Consulting	\$173,408.00	\$25,000.00	Reflects current contract authorization, and additional amount of \$15,692 to be authorized by City Manager.
Watt, Rieder, Hoffar & Fitzgerald, LLP	\$79,917.44	\$5,000.00	Specialized Legal Counsel
Brower, Kriz & Stynchomb, LLC	\$11,307.24	\$0.00	Schedule reviewer
Other Project Consultants	\$57,441.29	\$10,000.00	Expenses for engineering consultant, traffic study, etc.
Storage Facilities and Trailer Rentals	\$46,279.31	\$4,600.00	Future costs include trailer rentals for the duration of the Community Plaza Level phase.
Utility Company Fees	\$144,974.95	\$0.00	PEPCO, WSSC, Verizon, and Washington Gas.
Montgomery County Permit Fees	\$43,786.57	\$0.00	
Voice and Data Communications	\$29,345.79	\$5,000.00	Cabling and other work.
Movers, including Furniture Reassembly	\$9,613.00	\$12,000.00	Future costs include relocation of most City staff and future move of Recreation Department.
Interior Building Signage	\$4,293.30	\$30,707.00	Includes design and purchase costs.
Thayer Electric	\$17,281.09	\$7,500.00	Various tasks related to County election inspection, relocation of Police communications, etc.
VMP Construction, Inc.	\$12,750.00	\$0.00	Installation of brick pavers, wheel chair ramps, etc.
Landscaping	\$0.00	\$13,500.00	
TRG Construction	\$0.00	\$993,529.00	Reflects current contract amount plus projected cost of work to integrate new and old walls.
Gym-Related Technical Studies	\$0.00	\$13,510.00	
<b>TOTAL EXPENDITURES</b>	<b>\$10,067,692.55</b>	<b>\$1,846,253.58</b>	

**City of Takoma Park  
Community Center Financial Report  
Pending PCO's and PCO's Not Submitted  
James F. Knott Construction Company**

PCO	Description	Proposed Amount as of Report Date	Current Status
1038	Plumbing Changes at the intersection of Grant and Maple Avenues	\$15,863.00	Pending
1064	Flood Wall	\$94,206.00	Pending
1071	Wall Fans in Atrium	\$33,398.00	Pending
1072	Roof Gauge	\$11,323.00	Pending
1075B	Mechanical/Plumbing Value Engineering Pricing	\$61,516.00	Pending
1079	Change in star patterns in Fritz Tile	\$2,769.00	Pending
1081	Fire Department Connection	\$5,581.00	Pending
1087	Weatherization for concrete	\$16,915.00	Pending
1096	Relocation of Ceiling Exhaust Unit #18	\$19,870.00	Pending
1100	Allowance Increase	\$16,075.00	Pending
1102	PEPCO Changes	\$30,877.00	Pending
1104	Switch Gear Piping	\$50,699.00	Pending
1106	Display Case Electrical	\$1,481.00	Pending
1108	Roof Conditions at Library Connector	\$4,958.00	Pending
1109	Drain at Pedestrian Bridge	\$6,408.00	Pending
1111	Downspout Drains at Library	\$1,170.00	Pending
1116	Tie in to Mansard Roofing	\$3,790.00	Pending
1119	Interest Cost on Borrowed Funds	\$14,347.00	Pending
1123	Valley Tubes	\$8,115.00	Pending
1124	RFI #147 Louver Conflict	\$7,375.00	Pending
1126	Door Operators	\$30,159.00	Pending
1127	Dry Pipe Compressor Circuit	\$2,281.00	Pending
1129	WSSC 2" Water Line at Maple/Philadelphia	\$36,549.00	Pending
1130	Exhaust Fan in lieu of AHU #9	\$10,505.00	Pending
1131	Additional Keying	\$1,543.00	Pending
1132	Additional Exit Signs	\$3,980.00	Pending
1133	Pea Gravel & Angle @ Security Plaza	\$9,875.00	Pending
1134	Mag Locks @ Main Entry Doors	\$30,977.00	Pending
1135	Gas Pipe Delay	\$0.00	Not Submitted by JFK
1136	Louver Size Change	\$4,385.00	Pending
1137	Temporary Partitions	\$1,455.00	Pending
1138	3rd Floor Men's Room	\$4,428.00	Pending
1139	Additional Fire Alarm Items	\$1,379.00	Pending
	<b>TOTAL</b>	<b>\$544,252.00</b>	

**Note:** Shaded items reflect changes since the September 1st financial report. PCO Numbers 1130 through 1139 are new items submitted by the contractor. Values for PCO Numbers 1100 and 1129 had not been submitted as of the last report.